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U.S. EXPORT CONTROLS AND TECHNOLOGY TRANSFER TO CHINA

U.S. Export Control Policy Toward PRC

US export controls on technology and equipment transfers to China, particularly for items in widespread commercial use, have been gradually liberalized over the past several years. An important motivation for liberalization has been a wish to support US private sector involvement in China's modernization program, which in turn aids the development of China's economy. It has been the view of four US administrations, under both Republican and Democratic presidents, that a friendly, stable, modernizing China will contribute to peace and stability in East Asia, and is in the general foreign policy interest of the US.

In June 1983, recognizing China's status as a "friendly, non-allied country", President Reagan announced his decision to shift China into export control "Country Group V" -- which includes most friendly countries of Europe, Africa and Asia. This change was implemented through a revision of US export control regulations published in November 1983.

Technical guidelines ("green lines") were established to describe products in 7 categories which would routinely be approved for export to satisfactory end-users in the PRC. These categories were: computers, computerized instruments, microcircuits, electronic instruments, recording equipment, semiconductor production equipment, and oscilloscopes. License applications for products falling within the "green lines" required review only by the Commerce Department, without further interagency review. However, such "green line" exports continued to be subject to multilateral review in the Coordinating Committee (COCOM) in Paris. COCOM is comprised of Japan and all the NATO countries save Iceland.

COCOM Changes:

In 1985, the US and its COCOM partners agreed on procedures to streamline approval of routine China cases. As of December 15, 1985, certain items falling within 27 product categories no longer required COCOM review. In 1986 and 1987, certain items in 5 additional categories were made eligible for liberalized treatment. (List of product categories containing items eligible for liberalized treatment attached.) These changes have significantly reduced the China caseload in COCOM, and sped-up licensing of high-technology exports to China by the US and other COCOM members.

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National Security Concerns:

US high technology exports to China remain subject to national security controls, reflecting our awareness that China has strategic capabilities unlike those of other friendly, non-allied countries. US regulations outline areas of potential concern: nuclear weapons and delivery systems, intelligence gathering, electronic warfare, anti-submarine warfare, power projection and air superiority. US policy is designed to allow US companies to participate fully in China's modernization program while retaining controls on truly sensitive items.

Volume of High Tech Exports to China:

Export control liberalization has facilitated an expanding volume and higher level of American exports to China. By one estimate, the value of US "high-tech" exports to China increased from \$144 million in 1982 to over \$1 billion in 1986. By the same estimate, US high tech exports in that period have totalled over \$3.5 billion. The level of technology approved for China also has been on the rise. Large mainframe computers, some sophisticated chip-making equipment, and scientific instruments (all denied the Soviet Union) are now routinely approved for China.

Number/Dollar Value of US Export Licenses Approved for PRC

1982:	2020 / \$500 million	[Value of licenses does not reflect actual exports, which are only a fraction of this amount; but they do measure exporters' interest in China market]
1983:	2834 / \$932 million	
1984:	4443 / \$2.0 billion	
1985:	8637 / \$5.5 billion	
1986:	6157 / \$3.4 billion	
1987	5777 / \$2.3 billion	

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## Commodity Control List Items Receiving Liberalized Treatment:

[All have the suffix "A"]

- 1091 - Numerical control units for machine tools
- 1312 - Isostatic presses
- 1353 - Cable and optical fiber manufacturing equipment
- 1354 - Printed circuit board manufacturing equipment
- 1355 - Electronic component manufacture or testing equipment
- 1358 - Equipment for manufacturing devices embargoed under  
1588 and magnetic recording media
- 1359 - Tooling and fixtures for manufacturing fibre optic  
connectors and couplers
- 1391 - Robots
- 1460 - Aviation equipment
- \*\*1501 - Navigation and direction finding equipment
- \*\*1502 - Communication and detection Equipment using infrared,  
ultraviolet, or ultrasonic waves
- 1510 - Underwater detection devices
- 1519 - Single and multi-channel communication equipment
- 1520 - Radio Relay Communication Equipment
- 1522 - Lasers and laser systems
- 1529 - Electronic measuring equipment
- 1531 - Frequency synthesizers
- 1533 - Radio Spectrum Analyzers
- 1537 - Microwave equipment
- \*1548 - Photosensitive devices
- 1555 - Electron tubes
- 1564 - Electronic component assemblies
- 1565 - Electronic computers and related equipment
- 1566 - Software and technology therefore
- 1567 - Communication switching equipment
- 1568 - Analogue-Digital and Digital-Analog Converters
- 1572 - Recording or reproducing equipment
- 1584 - Oscilloscopes
- \*1585 - Photographic equipment
- 1587 - Quartz crystals and assemblies
- \*1757 - Compounds and materials
- 1767 - Optical fiber preforms

(\* Indicates this category added to the list in 1986)

(\*\* Indicates this category added to the list in 1987)

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US Technology Transfer/Export Control Policy Towards PRC:

Summary Chronology:

Jun 1971 Embargo lifted; nonstrategic trade possible

Feb 1972 China given same export control status as USSR

Jan 1979 Establishment of diplomatic relations

Jul 1979 Bilateral agreement on trade relations  
Extension of Most-Favored Nation Status

1980 China placed in own export control category  
(Group P)

June 1981 President Reagan issues directive that US should support a "secure, friendly and modernizing China", and should allow exports at technical level twice that approved for USSR.

Fall, 1982 Secretary Baldrige calls for study of "two-times policy", which has been difficult to put into practice and has drawbacks (problems of interpretation; explicit link to treatment of USSR). Study leads to call for changes.

May 1983 President places PRC in export control country group V, along with other friendly countries of Europe, Africa and Asia. National security controls retained; but President orders interagency steering group (under NSC) to determine new technical guidelines for equipment that could be routinely approved for export to China.

Nov 1983 Technical guidelines (so-called "green lines") in seven commodity control categories are published in Federal Register. These defined a "green zone" of equipment which will not require US interagency review. Designed to eliminate interagency review for 75% of cases subject to multilateral (COCOM) controls. Requirement for COCOM review unchanged.

1984 China caseload in DOC, COCOM builds. Licensing delays increase. Ten new US "green lines" under study, but progress is slow.

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Chronology - p. 2

- Jun 1984 President declares China eligible for government-to-government military sales (FMS)
- Jan 1985 Department of Commerce does study of impact of "green lines" on licensing. Finds only about 40% of US cases sent to COCOM are "green zone".
- China put on COCOM High Level Meeting (HLM) agenda. US interagency group agrees on US position at HLM: shorter COCOM "time clock", elimination of "cumulative PDR" restrictions on computer exports to PRC, delegation of approval authority to COCOM dels.
- Feb 1985 COCOM HLM agrees to appoint Ad Hoc Group to find ways to facilitate high technology trade with China.
- Mar/Apr/May/  
Jun/Sep 1985 Ad Hoc Group meets five times on new China procedure. In September, agrees on a "package" of administrative exceptions notes in 27 International List (dual use) equipment categories. Equipment so defined will not need prior COCOM review, but can be exported at each COCOM country's discretion, with post-shipment reporting only. Implementation of package subject to China's agreement to designate a government authority to certify end-use certificates.
- Oct 15 Ad Hoc Group agreement confirmed in COCOM by member governments.
- Oct 16 Vice President Bush tells PRC Vice Premier Wan Li COCOM agreement finalized; covers 27 categories. Refers to agreement in Chengdu speech same day.
- Embassy Beijing Economic Counselor presents "non-paper" to MFA and MOFERT, outlining scope of agreement and end-use certificate requirement. Paper also passed to PRC Embassy in Washington.
- Nov 15 COCOM members to report PRC reaction by this date.
- Dec 15 COCOM package implemented in US regulations.
- May 1986 6th COCOM China Ad Hoc meeting held. Minor adjustments made in existing 27 administrative exceptions notes. Agreement in principle on 3 more: sent to drafting committee..

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List of Commodities on the US Commodity Control list which will receive liberalized COCOM treatment:

[All have the suffix "A"]

- 1091 - Numerical control units for machine tools
- 1355 - Electronic component manufacture or testing equipment
- 1312 - Isostatic presses
- 1353 - Cable and optical fiber manufacturing equipment
- 1354 - Printed circuit board manufacturing equipment
- 1358 - Equipment for manufacturing devices embargoed under 1588 and magnetic recording media
- 1359 - Tooling and fixtures for manufacturing fibre optic connectors and couplers
- 1391 - Robots
- 1460 - Aviation Equipment
- 1510 - Underwater detection devices
- 1519 - Single and multi-channel communication equipment
- 1520 - Radio Relay Communication Equipment
- 1522 - Lasers and laser systems
- 1529 - Electronic measuring equipment
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- 1555 - Electron tubes
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